Company Update | Basic materials

January 2016

Hoa Phat Group JSC (HPG – HSX)

AN ATTRACTIVE PRICE FOR THE LEADING FIRM

Particulars (VND bn)	Q3-FY15	Q2-FY15	*+/- qoq*	Q3-FY14	*+/- yoy*
Net Revenues	6,845.2	7,647.8	-10%	5,746.9	19%
PAT	1,032.2	1,239.1	-17%	856.9	20%
EBIT	1,226.3	1,459.6	-16%	1,103.5	11%
EBIT margin (%)	17.9%	19.1%	-117bps	19.2%	-129bps

Source: HPG, RongViet Securities

- **Major operating field, construction steel, witnesses sustainable growth**
- **Being a multisector group, HPG demonstrates profitability in other business segments**
- **Does HPG's future depend on livestock?**
- **Evaluating industry risks when investing in HPG**

Outlook and Valuation:

Hoa Phat Group JSC (HPG-HSX), obtaining the leading market share in the domestic construction steel market, has displayed a considerable growth in not only the steel sector but also in furniture, refrigeration engineering and real estate segments. In the coming years, owing to an expansion of the Steel Complex in Hai Duong, HPG is expected to maintain an optimistic market share and gross margin. 2016 revenue and NPAT are estimated at VND 34,375 billion and 4,835 billion respectively, equivalent to an EPS of VND 6.597. Regarding of entering a completely new business of agriculture, Hoa Phat's Board has illustrated a suitable strategic vision with the macroeconomic situation as well as well-prepared actions, as the company step-by-step probes and tests the market and put no pressure on the currently-running businesses.

In addition, HPG's financial management is a plus, as the company conducts continuous investments without raising funds from shareholders. As a result of the healthy financial strength, HPG can carry out researches and investments using its own funds. Moreover, HPG has been maintaining a steady dividend schedule, consisting of both cash and share payments to shareholders for several years. Using discounted cash flow models and P/E, P/B comparisons, RongViet Research evaluates HPG at **VND 39,700** per share, **55.7%** higher than the current market price and recommends **BUY** in **LONG-TERM**.

Key financials

Y/E Dec (VND bn)	FY2013	FY2014	Year to date	FY2015E	FY2016
Net Revenues	18,934.3	25,525.3	20,330.9	27.047,9	34.375,4
% chg	12.5%	34.8%	8.3%	6,0%	27,1%
PAT	1,954.2	3,144.3	2,920.2	3.888,5	4.834,9
% chg	96.6%	60.9%	9.3%	23,7%	24,3%
EBIT margin (%)	10.3%	12.3%	14.4%	14,4%	14,1%
ROA (%)	9.3%	13.9%		16,3%	17,6%
ROE (%)	22.2%	29.5%		28,9%	28,9%
EPS (VND)	4,663	6,435		5.305	6.597
Adjusted EPS (VND)	4,559	6,311		5.305	6.597
Book value (VND)	22,671	24,478		20.581	25.020
Cash dividend (VND)					
P/E adjusted (x)	4.5	6.4		4.8	3.9
P/BV (x)	0.9	1.7		1.2	1.0

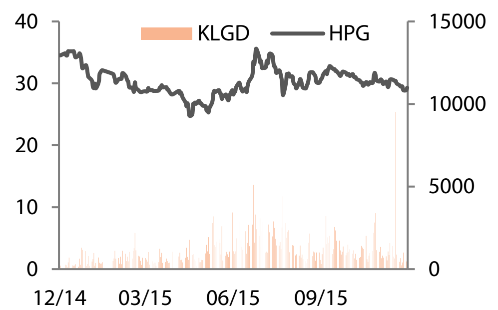
Sources: HPG and RongViet Securities ; Stock price as of January 15th, 2016

BUY

CMP (VND)	25,500
Target Price (VND)	39,700
Investment Period	**LONG TERM**

Stock Info

Sector	Basic materials
Market Cap (VND bn)	22281
Current Shares O/S	732.918
Beta	1.15
Free float (%)	50.7
52 weeks High	35,600
52 weeks Low	24,800
Avg. Daily Volume (in 20 sessions)	1,176,271



Source: RongViet Research

Performance (%)

	3M	1Y	3Y
HPG	-6	-16	147
Basic materials	3	33	N/A
VN30 Index	2	-2	19
VN-Index	3	6	36

Major Shareholders (%)

Trần Đình Long	25.15
Dragon Capital	7.65
Vũ Thị Hiền	7.29
Deutsche Bank AG & Deutsche Asset Management (Asia) Ltd	5.32
Foreigner Investor Room (%)	9.44

Trinh Nguyen

(084) 08- 6299 2006 – Ext 1331

trinh.nh@vdsc.com.vn

Exhibit 1: 3QFY2015 and YTD Results

Particulars (VND bn)	Q3-FY15	Q2-FY15	+/- (qoq)	Q3-FY14	+/- (yoy)	Year to date	+/-(yoy)
Net Revenues	6,845.2	7,647.8	-10.5%	5,746.9	19.1%	20,330.9	*8.3%*
Gross profits	1,560.5	1,699.4	-8.2%	1,329.8	17.3%	4,275.9	*3.0%*
SG&AC	241.1	197.4	22.2%	216.8	11.2%	649.8	*-0.5%*
Operating Income	1,149.7	1,431.8	-19.7%	1,068.6	7.6%	3,350.9	*4.1%*
EBITDA	1,522.6	1,761.1	-13.5%	1,382.6	10.1%	4,365.2	*30.3%*
EBIT	1,226.3	1,459.6	-16.0%	1,103.5	11.1%	3,482.2	*37.8%*
Financial expenses	232.0	122.7	89.0%	100.1	131.8%	463.3	*13.9%*
- Interest Expenses	65.7	51.9	26.6%	78.9	-16.8%	175.3	*-37.6%*
Dep. and amortization	-296.3	-301.5	-1.7%	-279.0	6.2%	-883.0	*7.4%*
Non-recurring Items (*)							
Extraordinary Items (*)	10.9	-24.0	-145.4%	-43.9	-124.8%		
PBT	1,160.6	1,407.7	-17.6%	1,024.7	13.3%	3,306.8	*3.9%*
PAT	1,032.2	1,239.1	-16.7%	856.9	20.5%	2,920.2	*9.3%*
(*) Adjusted PAT	1,022.5	1,260.5	-18.9%	894.6	14.3%	2,920.2	

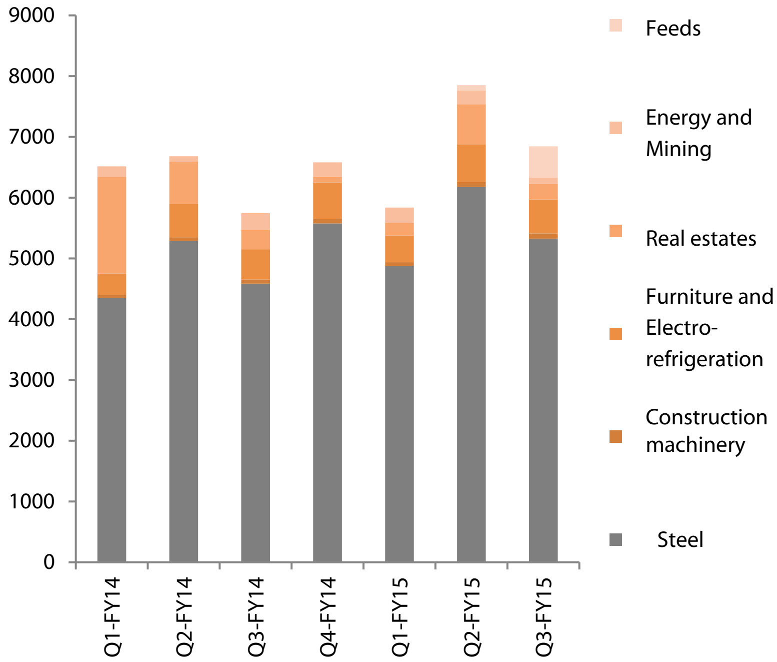
Source: HPG, RongViet Securities

Exhibit 2: 3QFY2015 performance analysis

Particulars	Q3-FY15	Q2-FY15	+/- (qoq)	Q3-FY14	+/- (yoy)
Profitability Ratios (%)					
Gross Margin	22.8%	22,2%	58bps	23,1%	-34bps
EBITDA Margin	22.2%	23,0%	-78bps	24,1%	-181bps
EBIT Margin	17.9%	19,1%	-117bps	19,2%	-129bps
Net Margin	15.1%	16,2%	-112bps	14,9%	17bps
Adjusted Net Margin	14.9%	16,5%	-154bps	15,6%	-63bps
Turnover *(x)					
-Inventories	3.3	3,6	-0,3	2,5	0,8
-Receivables	16.3	19,0	-2,7	15,1	1,2
-Payables	9.0	9,4	-0,5	0,0	9,0
Leverage (%)					
Total Debt/ Equity	0.7	0,7	0,0	0,8	-0,1

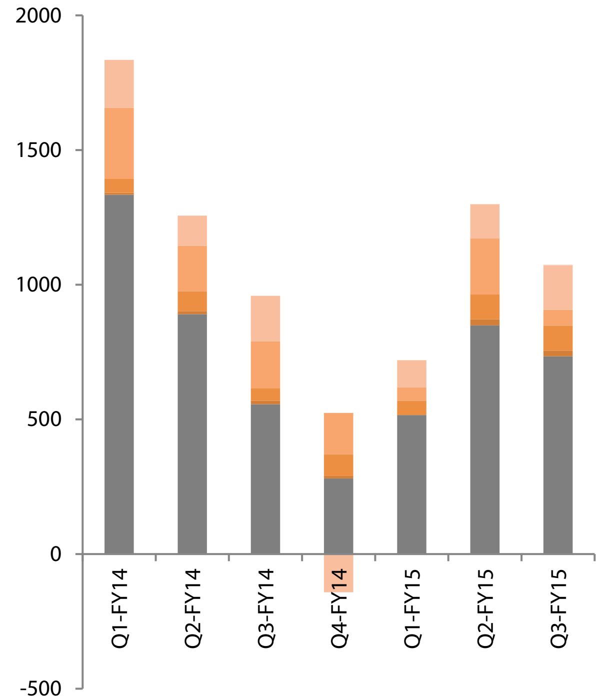
Source: HPG(*) Annualised turnover

Figure 01: HPG's revenue breakdown to sectors



Source: HPG, RongViet Research compiled

Figure 02: HPG's NPAT breakdown to sectors



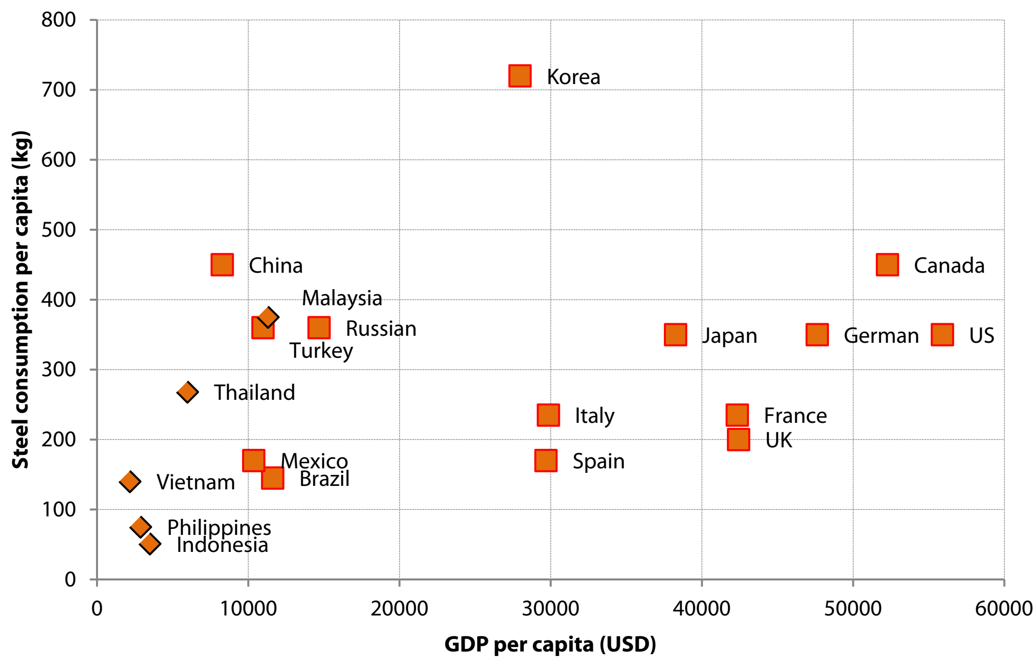
Source: HPG, RongViet Research compiled

Major operating field, construction steel, witnesses sustainable growth

Vietnamese construction steel market's bright prospects

HPG, as one of the top construction material providers in Vietnam, has gradually gained its market share and a sustainable growth over years. In 11M2015, HPG led the market in terms of sales volume with 22% market share, equivalent to 1.3 million tons (+41% y.o.y). Thanks to the leading position and the growing domestic demand, HPG was capable of matching the sales growth with its production growth.

Figure 03: Steel consumption per capita of several countries (2014)



Source: US Commerce Derpartment, RongViet Research compiled

It is observed that GDP per capita and steel consumption per capita have a positive correlation, while the developing countries consume more than the developed do. Vietnam has low figures in both, which means more rooms for increasing steel consumption, based on construction activity forecasts. During the recent 5-year period, construction steel growth has been greatly influenced by the construction sector. According to Vietnam Steel Association's forecast, domestically made construction steel consumption can reach 9.1 million tons in 2020 owing to the growing construction demand. Thus, the activeness in the construction sector is importance in boosting HPG's sales volumes and its first ranking position.

Figure 04: Sector growth comparison

Source: HPG, RongViet Research compiled

Hai Duong Steel Complex's remarkable productivity

HPG's revenue and NPAT have been growing every year. During the most recent 5 years, revenue and NPAT grew gradually at 25.7% and 19.8% per annum on average, partly as a result of HPG's gross profit margin which has been stably high and improved slightly overtime thanks to favourable market movements and the company's investment.

HPG's Steel Complex phase I went into production in 2009. Hoa Phat then has been raising its production by completing the production process in order to boost its competitiveness. Phase III of the 1.6 million tons Complex completed in late 2015, which according to RongViet Research's estimation, producing at full capacity in 2019 and making HPG's capacity 1.7 million tons per year.

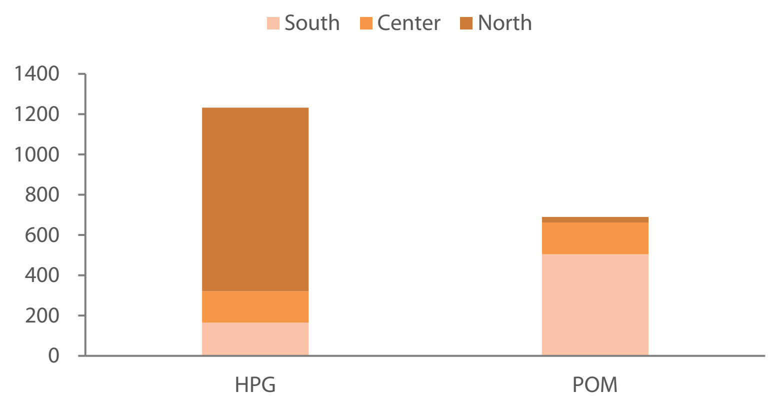
Not only improving production volume, the complex's blast oxygen furnace technology has enabled HPG to take advantage of the global materials price and domestic steel price movements. In the global market, iron ore, the complex's feedstock, has been strongly downward in prices since 2014. On the other hand, domestic steel price has got a slower downward pace because of local producers' high inventory levels and the growing local demand for steel. Iron ore spot price in December 2015 was around USD 37.5 per ton, 46.9% lower than it had been in early 2015, whereas Vietnam's local construction steel saw a 15.9% decline over the same period, which broadened HPG's gross margin.

Competitiveness against domestic producers and imports

Despite an optimistic growth potential, Vietnamese market has been small to both local and international players. In recent years, the market has been filtering out incompetent producers and leaving only strong participants that are capable of facing the Chinese oversupply shock. Those who are low in production capacity and incomplete production process have been gradually forced out of the market, giving way to the few major players. As a result, HPG may gain market shares from the quitting small companies and gradually prevail VNSteel group or Thai Nguyen Steel (TIS- UpCOM). According to VSA's statistics, HPG was seen to take over small firms' market shares such as Thong Nhat, Sunsteel, Song Hong, Thai Binh Duong and strengthen its power in the northern region.

At the present, the HPG's major markets are the northern and central region due to geographic advantage of the Steel Complex located in the north, whereas the southern market has been occupied by Pomina. Hoa Phat has recently concentrated on the southern market as its 11M2015 sales in the region rose 41% y.o.y.

Figure 05: 11M2015 regional sales volumes by Hoa Phat and Pomina (thousand tons)

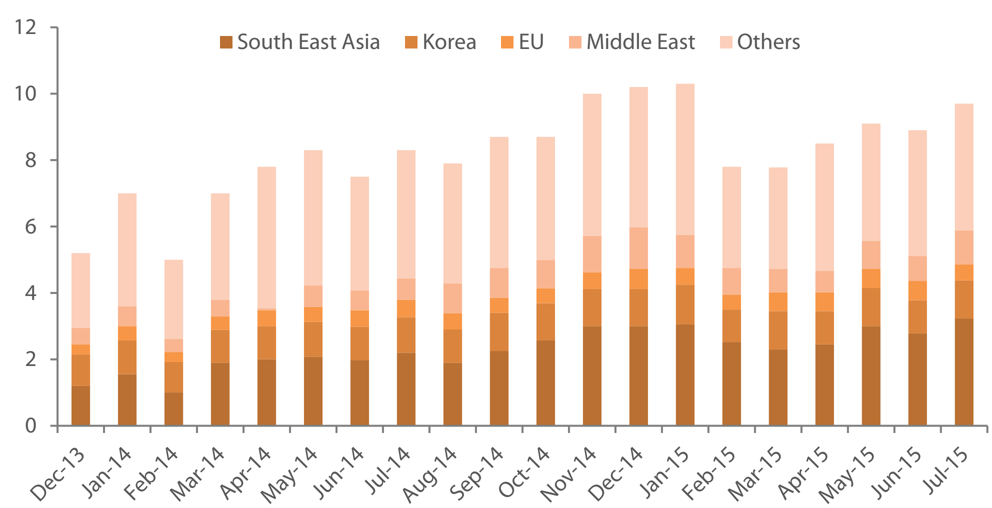


Source: VSA, RongViet Research compiled

Exceling in competing in the domestic market, Hoa Phat, however, has been facing with dumped imports, as Chinese producers have been aggressively boosting their exporting steel to the ASEAN countries. China's government has newly cut export tax for slabs and billets from 25% to 15% and 5% respectively, encouraging their producers to further decreasing the export prices to solve the inventory problem. Consequently, Vietnamese steel price is likely to face downward pressure which, in long-term, could affect Hoa Phat's market share should free entrance to the market for Chinese's dumped steel continue to be allowed.

In 2015, a majority of dumped Chinese steel products were declared as alloyed steel to benefit from 0% tariff, while it should be subjected to a 9% tariff under construction steel category. The issue has been reported, to which the solution could be a tariff hike or anti-dumping (countervailing) measure, yet no specific regulation has been implemented.

Figure 06: China's major export markets (million tons)



Source: Chinese Customs, RongViet Research compiled

Besides construction steel, steel pipe also contributes to the company's profitability as a mean of product diversification. Benefiting from the wide distribution channel, steel pipe grew considerably recently. Not investing massively as in construction steel, HPG has applied another strategy for the steel pipe sector by acquiring, enhancing old mills. HPG's financial capability is sufficient, as well as buying factories can raise the total production in a shorter amount of time comparing to building on its own. Hoa Phat's current pipe capacity is 400,000 tons per year, having increased remarkably by buying 2 plants in 2014 and 2015. 2015 steel pipe sales are estimated at around 300.000 tons. Revenue from this section contributes 20% to total revenue from steel, making Hoa Phat rival to Hoa Sen Group (HSG-HSX), the first ranked in the steel pipe segment.

Being a multisector group, HPG demonstrates profitability in other business segments

Real estates: high profitability without being a strategic focus

When the real estates market was facing difficulties, HPG succeeded with the Mandarin Garden project, which in 2015 contributed around VND 500 billion of revenue and VND 100 billion of NPAT to HPG's performance. The most recent project has been Tan Mai commercial and housing complex with VND 1,500 billion capital, located at Truong Dinh Street, Hanoi. The project which is currently in its basement construction is expected to start selling 600 flats in 2016 and to book the revenue from 2018.

The project's efficiency is evaluated to be equivalent to the company's average return on investment, even though it is merely for the sake of utilising HPG's land ownership, meaning the company is not likely to focus on real estates after finishing Mandarin Garden. The new housing project is situated at the area of high population density and the expected price per m2 ranges between VND 29 and 31 million which is attractive considering the location. In addition to the two real estates projects, HPG's industrial land lease has been operating stably, as Pho Noi A and Hoa Mac Industrial Zone have high occupation rate (Pho Noi A's is 100%).

Energy and Mining: supporting core operation

Hoa Phat's iron ore mining activities have been halted due to high production cost and coke coal production can stop selling externally to focus only on supporting the Steel Complex. Therefore, it can be inferred that external revenues from the energy and mining sector are going to plummet to the minimum because all products may be sold internally, in return for a growth in final steel product sales. The strategy appears to be appropriate, since most domestic iron mines are idling due to the falling price.

Hoa Phat has been importing iron ore since 2015 as the import prices are fairly competent. In 2016, HPG is expected to import 34% of its iron ore consumption, while the rest is purchased locally. Being one of the few iron ore buyer, HPG can take advantage of its power to control its production cost.

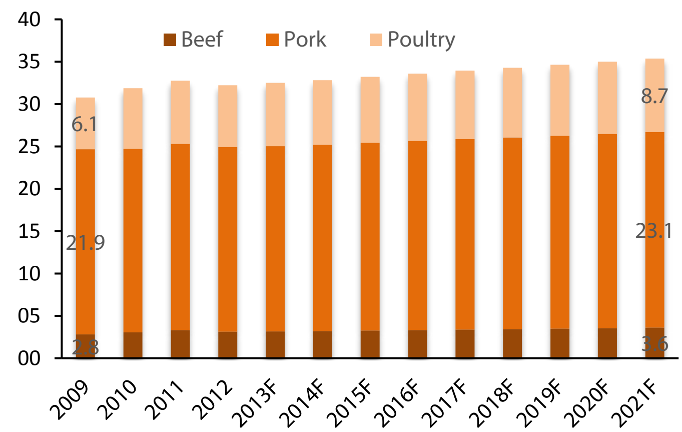
Other sectors: sufficient growth

The furniture and refrigeration engineering have maintained a solid sales performance, besides new investments on refrigerator manufacturing and electro-refrigeration plastic production lines. The sectors altogether have accounted for 8% of both revenue and NPAT for HPG since 2014, catching up with the whole company's growth (3Q2015 revenue and NPAT being VND 254.8 and 40.5 billion respectively). Growth rates for these two figures in the 2012-2014 period were 7% and 18% per annum respectively and are predicted to be stable in the next 5 years.

Does HPG's future depend on livestock?

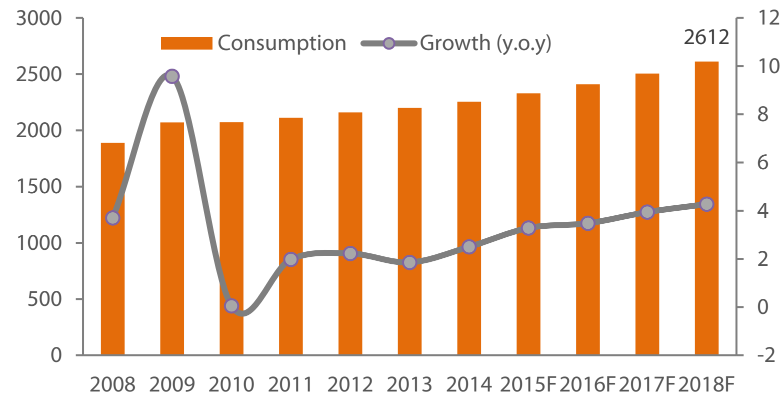
The animal husbandry industry, in particular the hog raising, has got fair room to grow, according to our findings. On the consumption side, the market of 90 million consumers with a youth bulge, growing average income, increasing meat consumption with a major proportion of pork boosts pork demand year by year. Moreover, the consumption pattern favouring fresh meat, newly butchered in stead of frozen products has made way for domestic supply. In contrast, regarding the supply side, the lack of farming concentration illustrating by a vast number of backyard hog raising has been an issue. In particular, a large proportion of backyard farms have been cooperation with livestock and feeds companies, most of which are FDIs, making the domestic value chain including millions of small-scaled farms dependent on few feed producers. Therefore, it can be inferred that the opportunities are reserved for animal husbandry firms who satisfy (1) large capital to cover the food chain from feeds to product distribution, (2) large farms for the purpose of economies of scales and (3) food safety and stable quality products. [Report: Hoa Phat- the first step on the livestock pathway]

Figure 07: Domestic meat consumption (kg per capita)



Source: FAPRI

Figure 08: Domestic pork consumption (thousand tons)



Source: BMI

Being cautious when entering the agriculture sector, HPG started with animal feeds. The company is currently importing and distributing hog feed ingredients and in the middle of building two feed factories in Hung Yen and Dong Nai provinces, which are expected to start producing in 2016, providing hog feeds for both northern and southern regions. In addition, HPG has planned to develop a pig farm occupying a 50 to 60-hectare land in northern Vietnam. The most recent updates from HPG's agricultural business include pig raising but not pork processing and distributing.

Previous events show that Hoa Phat has gained experiences on operating new businesses based on its successful transformation from a construction machinery trading company to a mass steel producer. However, a different market environment is likely a challenging obstacle for the company. Regarding the performance, we expect the new business to have a visible influence on HPG's results in a long term, as steel is going to remain the major operating business that contributes the most to the company's efficiency.

Evaluating industry risks when investing in HPG

Looking over a decently performing firm in a competing industry, we consider the greatest risk to be that HPG cannot keep a stable efficiency, which could result from these events:

(1) Oversupply risk

Oversupply arises from China's steel market and has been quantified at hundreds tons per year. Massive investments in steel mills led the country to overproducing, as Chinese steel plants' utilisation rate is only 66%. In order to tackle accumulating inventory, China has been repeatedly dumping its products such as billets and slabs via exports. Billets, Vietnam's main import from China, are 15% lower in price comparing to Vietnam's locally made, according to RongViet Research's estimates. Chinese steel makers apparently made loss while dumping steel exports, yet barely shows any signals of ceasing the dump. Estimated variable cost at USD 207 per ton (iron ore 62% Fe price at USD 46 per ton) allows China to further put pressure on export prices, which was around USD 258 per ton in 2015 year end.

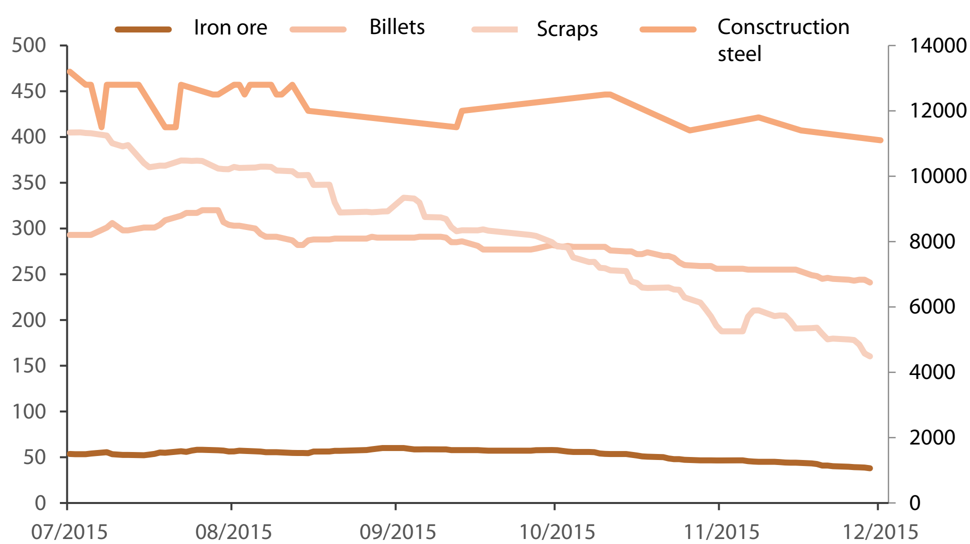
The worst case scenario might occur when Chinese steel prices fall faster and its government encourages exports by cutting export tariff, which consequently put Vietnamese steel in price disadvantages. However, HPG who owns a similar production technique as Chinese companies', can compete against them, even though it means critical financial outcomes, as HPG would have to suffer short-term losses.

Imported construction steel is growing in market share and currently accounts for 20% domestic consumption mainly in northern Vietnam. Recently, HPG and other steel producers have proposed Anti-dumping measures on billets and long-type products to the authority, which if successful would assist HPG's short term performances. However, longer-term market performance is likely to depend on the Chinese steel industry's reconstruction and capacity reduction.

(2) *Materials' price movements*

According to Hoa Phat's updates, 2015 provision for devaluation of stocks is going to be less than that of last year. HPG has signed a contract of 300,000 tons iron ore imports delivered in 6M2015 from South America to serve as feedstocks for the Steel Complex phase III. Iron ore is trading around USD 40 per ton at the 5-year low levels, not to mention the construction demand and the global iron ore supply conditions. RongViet Research expects HPG's provision for devaluation of stocks to be less than the 2014 figure of almost VND 200 billion.

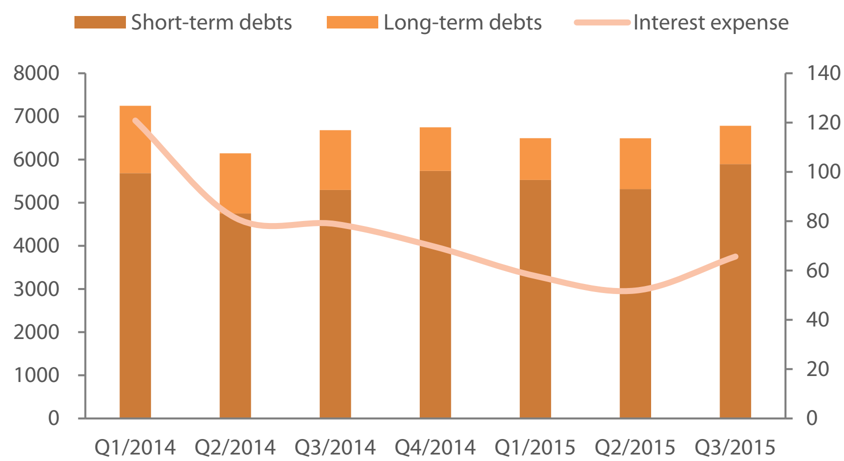
Figure 09: Global steel prices and domestic construction steel prices



Source: VSA, RongViet Research compiled

(3) Exchange rate risk due to 80% of total debt denoted in USD. Ending Q3/2015, HPG's 79% short-term debts were denoted in USD, making the exchange transaction loss over VND 276 billion, being 2.5 fold comparing to last year's amount. Facing the short-term debt's value fluctuations, HPG can boost its cash flow cycle, which may not be feasible because it is a market risk caused by the SBV that HPG can not have control over.

Figure 10: HPG's debt structure (VND billion)



Source: HPG, RongViet Research compiled

It can be said that HPG's NPAT depends greatly on its steel business's gross margin. Thus, HPG's worst case scenario would occur if China continues its steel dumping making HPG decrease its prices to compete, while material prices bounce back. However, the chance of occurrence is fairly low because of the global supply - demand balance and China's influence which creates a direct relationship between material prices and final product prices. Most indicators are biased to Hoa Phat's favour, who has grown considerably in an unstable market.

Based on price movements in 2015 (iron ore price fell sharply while domestic steel prices decreased mildly), we forecast a 15% decrease in iron ore price and 5% fall in final product prices, which is favourable to HPG's steel complex. 2016 revenue and NPAT are predicted at VND 34,375 billion and 4,835 billion, being 27% and 24% higher y.o.y respectively. The chance of iron ore price recovery and steel price decrease are relatively rare to happen because global major miners are cutting production cost and competing on price to boost volumes, while domestic inventory at the end of November 2015 was 15.7% higher y.o.y.

Table 3: Sensitivity of NPAT to construction steel price and iron ore price

2016 NPAT (VND billion)		Change in iron ore price				
		-25%	-20%	-15%	-10%	-5%
Change in construction steel price	-25%	1,909	1,015	121	-773	-1,667
	-20%	3,097	2,203	1,309	415	-479
	-15%	4,285	3,391	2,497	1,603	709
	-10%	5,473	4,579	3,685	2,791	1,897
	-5%	6,661	5,767	4,835	3,979	3,085
	0%	7,849	6,955	6,061	5,167	4,273
	+5%	9,037	8,143	7,249	6,355	5,461
	+10%	10,225	9,331	8,437	7,543	6,649
	+15%	11,413	10,519	9,625	8,731	7,837

Source: RongViet Research compiled

Table 4: Summary on 2015-2016 forecasts

Performance (VND billion)	FY2015E	FY2016F
Steel sales volumes	**1,645,000**	**2,076,000**
Sector revenue:		
Steel	20,071	23,760
Others	6,977	10,616
Net revenue	**27,048**	**34,375**
Sector gross profit:		
Steel	4,747	5,880
Others	1,018	1,275
Gross profit	**5,765**	**7,155**
Pre-tax profit	**4,449**	**5,467**
NPAT	**3,889**	**4,835**
EPS (VND)	**5,305**	**6,597**

Source: HPG, RongViet Research compiled

Outlook and Valuation:

Hoa Phat Group JSC (HPG-HSX), obtaining the leading market share in the domestic construction steel market, has displayed a considerable growth in not only the steel sector but also in funiture, refrigeration engineering and real estate segments. In the coming year, owing to an expansion of the Steel Complex in Hai Duong, HPG is expected to maintain an optimistic market share and gross margin. 2016 revenue and NPAT are estimated at VND 34,375 billion and 4,835 billion respectively, equivalent to an EPS of VND 6,597. Regarding of entering a completely new business of algriculture, Hoa Phat's Board has illustrated a suitable strategic vision with the macroeconomic situation as well as well-prepared actions, as the company step-by-step probes and tests the market and put no pressure on the currently-running businesses.

In addition, HPG's financial management is a plus, as the company conducts continuous investments without raising funds from shareholders. As a result of the healthy financial strength, HPG can carry out researches and investments using its own funds. Moreover, HPG has been maintaining a steady dividend schedule, consisting of both cash and share payments to shareholders for several years. Using discounted cash flow models and P/E, P/B comparisons, RongViet Research evaluates HPG at **VND 39,700** per share, **55.7%** higher than the current market price and recommends **BUY** in **LONG-TERM**.

Appendices

HPG's dividend payment

Date (dd/mm/yyyy)	Form of dividends	Rate
30/01/2012	Stock dividend	10%
25/10/2012	Stock dividend	20%
	Cash dividend	10%
03/09/2013	Cash dividend	10%
24/04/2014	Stock dividend	15%
08/05/2015	Stock dividend	20%
	Cash dividend	10%
	Stock dividend	30%

The anti-dumping issue

Tariff-evading construction steel are declared as alloyed, which by law is steel products that are others than "stainless steel" and contain at least one of the elements and contents of the following:

- Aluminum of equal or above 0.3% content

- Boron of equal or above 0.0008% content

- Chromium of equal or above 0.3% content

- Cobalt of equal or above 0.3% content

- Copper of equal or above 0.4% content

Hence, billet or slab importers are facing disadvantages when their costs of sales go up by 9%, whereas HPG and other billet producers can realise their benefits when imported products are taxed. In December-end, after VSA and major steel makers including Hoa Phat had proposed the antidumping measure against the fraudulent imports, Ministry of Industry and Trade has initiated the anti-dumping investigation against steel billets and long steel products. According to the Countervailing Duties Ordinance, provisional tariff may be applied before the investigation is closed, thus allows HPG to anticipate Chinese steel being taxed in a shorter time. However, considering the lack of experience on using globally conventional countervailing measures, tariff adjustment is likely to take a lot of time.

VND Billion

PERFORMANCE	FY2013	FY2014	FY2015E	FY2016F
Revenue	18,934.3	25,525.3	27,047.9	34,375.4
COGS	15,650.5	20,338.3	21,282.6	27,219.9
Gross profit	**3,283.8**	**5,187.0**	**5,765.3**	**7,155.5**
Selling Expense	253.7	366.1	405.7	515.6
G&A Expense	416.2	607.2	568.0	825.0
Finance Income	276.3	160.3	250.0	262.5
Finance Expense	528.4	563.8	563.8	586.3
Other profits	32.9	-40.5	-28.7	-24.1
PBT	**2,394.4**	**3,769.5**	**4,449.1**	**5,467.0**
Prov. of Tax	384.0	519.3	533.9	601.4
Minority's Interest	56.2	106.0	26.7	30.7
PAT to Equity Shareholder	**1,954.2**	**3,144.3**	**3,888.5**	**4,834.9**
EBIT	**2,765.4**	**4,120.1**	**4,683.0**	**5,760.1**
EBITDA	3,485.5	5,226.2	5,739.5	7,162.1

Unit: %

FINANCIAL RATIO	FY2013	FY2014	FY2015E	FY2016F
Growth				
Revenue	12.5%	34.8%	6.0%	27.1%
Operating Income	60.9%	61.2%	13.7%	21.4%
EBITDA	48.9%	49.9%	9.8%	24.8%
EBIT	58.5%	49.0%	13.7%	23.0%
PAT	96.6%	60.9%	23.7%	24.3%
Total Assets	21.4%	-4.3%	16.2%	13.6%
Equity	17.5%	24.2%	27.9%	21.6%
Internal growth rate	12.7%	22.7%	18.0%	20.2%
Profitability				
Gross profit/Revenue	17.3%	20.3%	21.3%	20.8%
Operating profit/ Revenue	13.8%	16.5%	17.7%	16.9%
EBITDA/ Revenue	18.4%	20.5%	21.2%	20.8%
EBITDA/ Revenue	14.6%	16.1%	17.3%	16.8%
Net margin	10.3%	12.3%	14.4%	14.1%
ROAA	9.3%	13.9%	16.3%	17.6%
ROIC or RONA	23.4%	32.7%	31.2%	31.7%
ROAE	22.2%	29.5%	28.9%	28.9%
Efficiency				
Receivable Turnover	11.6	15.2	17.5	26.3
Inventory Turnover	2.1	2.6	3.0	3.4
Payable Turnover	4.0	4.8	5.8	6.0
Liquidity				
Current	1.1	1.3	1.5	1.7
Quick	0.4	0.5	0.7	0.8
Solvency				
Total Debt/Equity	142.0%	83.3%	69.1%	58.0%
Current Debt/Equity	60.5%	48.6%	30.5%	26.3%
Long-term Debt/ Equity	19.3%	7.9%	9.2%	5.0%

VND Billion

BALANCE SHEET	FY2013	FY2014	FY2015E	FY2016F
Cash and equivalents	2,125	2,026	3,775	5,534
Short-term investment	388	507	903	813
Receivables	1,629	1,720	1,376	1,238
Inventories	8,030	7,386	7,000	8,900
Other current assets	230	107	169	138
Total Current Asset	**12,403**	**11,746**	**13,223**	**16,622**
Tangible Fixed Assets	8,864	8,548	8,088	10,678
Intangible Fixed Assets	189	180	177	173
Construction in Progress	134	429	3,515	1,000
Investment Property	62	197	148	180
Long-term Invest ment	21	61	17	17
Other long-term assets	831	545	501	492
Goodwill	573	382	282	182
Long-term Asset	**10,674**	**10,343**	**12,447**	**12,540**
Total Asset	**23,076**	**22,089**	**25,669**	**29,162**
Payables	2,394	2,087	2,341	2,994
Other current liabilities	3,005	978	1,992	1,798
Current Debt	5,744	5,737	4,595	4,825
Long-term Debt	1,832	931	1,382	925
Other long-term liabilities	515	96	106	96
Total Liability	**13,489**	**9,829**	**10,416**	**10,638**
Owner's Equity	**9,500**	**11,796**	**15,085**	**18,339**
Capital	4,191	4,819	7,330	7,330
Retained Earnings	2,643	4,095	6,344	9,520
Funds & Reverses	459	675	738	815
Others	**0**	**0**	**0**	**0**
Total Equity	**9,500**	**11,796**	**15,085**	**18,339**
Minority's Interest	87	169	169	186
TOTAL RESOURCES	**23,076**	**21,795**	**25,669**	**29,162**

CASH FLOW STATEMENT	FY2013	FY2014	FY2015E	FY2016F
Profit before tax	2,394.4	3,769.5	4,449.1	5,467.0
-Depreciation	720.2	1,106.0	937.8	933.7
-Adjustments	*268.2*	*864.1*	*58.5*	*63.2*
+/- Working capital	-148.9	-3,057.6	1,401.4	-1,884.2
Net Operating CFs	**3,233.8**	**2,682.1**	**6,846.8**	**4,579.8**
+/- Fixed Asset	-2,909.7	-1,063.1	-3,510.8	-1,036.5
+/- Deposit, equity investment	-46.9	-157.1	98.7	9.8
Interest, dividend, cash profit	-295.9	50.4	0.0	0.0
Net Investing CFs	**-3,252.5**	**-1,169.9**	**-3,412.1**	**-1,026.7**
+/- Capital	0.6	0.0	976.9	0.0
+/- Debt	1,269.4	-930.4	-649.7	-190.2
Dividend paid& other	-420.5	-681.0	-2,013.2	-1,604.3
Net Financing CFs	**849.5**	**-1,611.3**	**-1,686.0**	**-1,794.5**
+/- cash & equivalents	830.9	-99.2	1,748.8	1,758.5
Beginning cash & equivalents	**1,294.5**	**2,125.3**	**2,026.3**	**3,775.0**
Impact of exchange rate	-0.1	0.1	0.0	0.0
Ending cash & equivalents	**2,125.3**	**2,026.3**	**3,775.0**	**5,533.6**

COMPANY REPORT

This report is created for the purpose of providing investors with an insight into the discussed company that may assist them in the decision-making process. The report comprises analyses and projections that are based on the most up-to-date information with the objective which is to determine the reasonable value of the stock at the time such analyses are performed. Through this report, we strive to convey the complete assessment and opinions of the analyst relevant to the discussed company. To send us feedbacks and/or receive more information, investors may contact the assigned analyst or our client support department.

RATING GUIDANCE

Ratings / Return Potential	BUY	ACCUMULATE	NEUTRAL	REDUCE	SELL
Intermediate- term (up to 6 months)	>20%	10% to 20%	-5% to10%	-15% to- 5%	<-15%
Long-term (over 6 months)	>30%	15% to 30%	-10% to 15%	-15% to -10%	<-15%

ABOUT US

RongViet Securities Corporation (RongViet) was established in 2007, licensed to perform the complete range of securities services including: brokerage, financial investment, underwriting, financial and investment advisory and securities depository. RongViet now has an operating network that spreads across the country. Our major shareholders, also our strategic partners, are reputable institutions, i.e Eximbank, Satra, Viet Dragon Fund Management, etc... Along with a team of the professional and dynamic staffs, RongViet has the man power as well as the financial capacity to bring our clients the most suitable and efficient products and services. Especially, RongViet was one of the very first securities firms to pay the adequate attention to the development of a team of analysts and the provision of useful research report to investors.

The **Analysis and Investment Advisory Department** of RongViet Securities provides research reports on the macro-economy, securities market and investment strategy along with industry and company reports and daily and weekly market reviews.

Network

Headquarter

Address: Floor 1-2-3-4, Viet Dragon Tower, 141 Nguyen Du, Ben Thanh Ward, Dist.1, HCMC

Phone: 84.8 6299 2006 Fax: 84.8 6291 7986

Website: www.vdsc.com.vn

Ha Noi Branch

2C Thai Phien – Hai Ba Trung District – Ha Noi

Nha Trang Branch

50Bis Yersin - Nha Trang

Can Tho Branch

08 Phan Dinh Phung –Can Tho

DISCLAIMERS

This report is prepared in order to provide information and analysis to Rong Viet's clients only. It is and should not be construed as an offer to sell or a solicitation of an offer to purchase of subscribe for any investment. No consideration has been given to the particular investment objectives, financial situation or particular needs of any recipient. The readers should be aware that Rong Viet may have a conflict of interest with investors when does this research. Investors are advised make their own financial decisions based on their independent financial advisors as they believe necessary and based on their particular financial situation and investment objectives. Rong Viet will not take any responsibility for any loss/damages occurred as a result of using the information herein.

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

The information herein is believed by Rong Viet to be reliable and is based on public Sources believed to be reliable. We do not warrant its accuracy or completeness. Opinions, estimations and projection expressed in this report represent the current views of the author as of the original publication date appearing on this report only and the information, including the opinions contained herein, are subject to change without notice.

This report shall not be copied, reproduced, published or redistributed by any person for any purpose without the express permission of Rong Viet in writing.